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Annual Report

2007

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Report Highlights: A significant expansion of U.S. beef sales to Japan may occur in 2008 but only if import restrictions are lifted. Specifically, Japan currently only accepts U.S. beef from animals that are 20 months or younger. The United States will continue to face difficulties supplying enough age verified beef to satisfying strong Japanese demand. Assuming no change in policy, U.S. beef exports will grow modestly in 2008 to 71,400 MT (or 50,000 MT on customs clearance basis). The total pork imports in 2008 are projected up by 1% to 1.157 million MT. U.S. and Canadian chilled pork will likely have competitive edge over domestic fresh and chilled pork, which is becoming higher priced due to increasing feed cost. There will be continued solid and steady demand for seasoned ground pork, benefiting U.S. and Canadian suppliers. Imports of finished processed products, which have a lower duty, will continue to grow in the coming years.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Tokyo [JA1]
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Notes

The new PS&D figures in this report are NOT OFFICIAL USDA DATA.

The conversion factors from Product Weight Equivalent (PWE) to Carcass Weight Equivalent (CWE) are:

- Beef and Pork (Generic): 1.43 (1/0.7)
- Prepared and Processed Beef Products: 1.79 (1/056)
- Prepared and Processed Pork Products: 1.43 (1/0.7)

The conversion factor from lbs to kilo: 2.2 (453.592/1000)

Average exchange rate for Japanese yen to U.S. dollar was 116.20 yen in 2006.

Unless specified, volumes described in the text are on a CWE basis as PS&D tables.

Import quantities referenced in discussions of the beef and pork safeguards refer to customs clearance figures as announced by the Government of Japan (GOJ). The safeguard (SG) is monitored and implemented based on the Japanese fiscal year (JFY), which starts April and ends March next year. Other discussions are all based on calendar year (CY) unless it is specified in the text.

HS Codes by Products:

Beef PS&D Import Figures (Generic Beef and Prepared and Processed Products Combined)
- Generic Beef: HS 0201, HS 0202
- Prepared and Processed Beef Products: HS 160250, HS 021020

Pork PS&D Import Figures (Generic Pork and Prepared and Processed Products Combined)
- Generic Pork: HS 0203
- Prepared and Processed Pork Products: HS 160241, HS 160242, HS 021011, HS 021012, HS 021019

Beef Section

2008 Beef Market Outlook

Japan's EV Program, If Continued, Will Hamper Sales U.S. Beef in 2008

Japan's total beef consumption is forecast to rise by a slight 1% to an estimated 1.23 million MT. Japan's total beef imports in 2008 are projected to grow a modest 1% to 735,000 MT. Total CY 2007 imports are estimated to be about 728,000 MT. There will be an increase in sales of U.S. beef over 2007 but sales will remain far below historic levels. The 2008 share of U.S. beef imports is estimated at 10% or 71,400 MT (or 50,000 MT on customs clearance basis).

Japan currently only allows U.S. beef from animals aged 20 months or younger. One large factor in the 2007 and 2008 import estimates is the ability of the U.S. beef industry to supply cattle that qualify under USDA's EV program, which is used to identify animals that meet the Japanese age restrictions. Currently, a minority of the cattle slaughtered in the United States qualify under this program. The Japanese policy is not based on sound science and is not consistent with international standards. If Japan were to adopt international standards it would greatly increase the exportable supply of U.S. beef and would contribute to the United States regaining its historic market share.

On a more positive note, in mid-June, Japan ended its 'verification period' for the EV program. The stepped up inspection rate started with the current EV program in July 2006 and involved a costly 'voluntary' inspection by importers prior to the official quarantine inspections. Because it was expensive and caused bottlenecks, the ending of 100% box testing will result in a modest increase in U.S. beef sales in the second half of 2007.

In May 2007, the OIE (the World Organization for Animal Health) adopted classified the United States as 'Controlled Risk' for BSE. Under the OIE classification, U.S. beef can be safely traded without age restrictions. Because the OIE is a recognized standard setting body in the WTO, the classification may play a key role in normalizing the beef trade with Japan. However, the 2008 Japan beef market projections in this report are based on the status quo, meaning that Japan will retain the 20 month age restrictions on U.S. beef.

Demand for U.S. beef is solid in the food service sector (mainly for beef bowl (gyudon), Korean style barbecue, and steak restaurants) in 2008. Also, U.S. beef is increasingly being carried by major Japanese food retail chains and this will also help U.S. sales. Major national retail chains started marketing limited volumes of U.S. beef in early 2007. Consumer acceptance has been good but sales are limited by the available supply, and higher price, of age verified animals.

Slightly Lower Imports of Aussie Beef Projected in 2008

The shift from Australian beef to U.S. beef in 2008 is expected to be moderate. Japan's imports of Australian beef in 2008 are projected to fall by 1% to 557,000 MT.

Historically (i.e., prior to 2001), estimates of Japanese demand for imported beef have been around 950,000 MT a year. U.S. beef could eventually reclaim its share of over 40% (or 380,000MT). However, CIF import prices for beef are now about a quarter to a third higher than 2001. This higher price level is one factor constraining beef consumption in Japan.

Slightly Lower Domestic Beef Production Forecast in 2008

Data on the number of beef calves in past years point to a slight decline in Japan's total cattle slaughter in 2008. Reduced numbers for both F1 cross breed (Wagyu crossed with Holstein cow) and dairy breeds (Holstein steers and cows) are expected to more than offset increased Wagyu slaughter numbers. Thus, on preliminary basis, the total domestic beef production in 2008 is forecast down by 1% from a year earlier to 495,000 MT (a total slaughter of 1.2 million head).

Domestic Cattle Producers Squeezed

Average wholesale beef carcass prices are expected to weaken in 2008, particularly for the diary breeds that directly compete with U.S. grain fed beef. Cattle feeders may be squeezed in 2008 by higher feed cost, high calf prices (at the time they were purchased and put on feed) and lower prices for fed cattle. This, in turn, may also bring down the high auction prices for feeder calves that have prevailed for the last few of years. A plunge in calf prices would lead to calls for the resumption of Japan's deficiency payments to beef calf producers, which uses the tariff revenue collected from imported beef (See supplemental table VI).

[Note: **Deficiency Payment Scheme for Producers of Beef Calves**: Feeder calf producers are supported by a producer subsidy program established in 1988. Subsidies vary by breed. Payments under this program have mostly been made to producers of dairy feeder calves for beef. Duties collected from beef imports (38.5%) are the main source of funding for this scheme. It is also partially funded by a producer check off.

The Japanese government's deficiency payment scheme for feeder calves is described in Agriculture Livestock Industry Corporation (ALIC)'s web site, which is affiliated with MAFF and is the disbursing agent for this subsidy fund. According to ALIC, the amounts of the government's subsidy payments made to calf producers have gotten smaller in recent years reflecting high average prices for calves (13.4 billion yen in CY 2003, 14.1 billion yen in CY 2004, 6.1 billion yen in CY 2005, 0.7 billion yen in CY 2006 and NIL in CY 2007 (Jan. – Jun.)]

Japan Yet to Decide on Calculation of JFY 2008 Beef Safeguard Trigger Levels

It is difficult to say if Japan will extend the current 'exceptional measure' formula for calculating beef safeguard levels in JFY 2007. However, this policy decision may soon be considered by MAFF as part of their budget preparation for the coming fiscal year, which begins in April 2008.

For past two fiscal years, Japan has adopted an exceptional measure applying an average imports of JFY 2002 and JFY 2003 as the base year to calculate the trigger levels. MAFF extended the same measure in JFY 2007 (See JA7010).

On customs clearance basis, JFY 2008 first quarter trigger levels (April – June 2008) are presented below using the Uruguay Round formula. This formula is based on the previous year imports multiplied by 117% for each cumulative quarter. Chilled and frozen beef are considered separately (See Table 1). The results are: 67,377 MT for chilled beef (JFY 2007 first quarter import of 57,587 MT multiplied by 117%) and 82,947MT for frozen beef (JFY 07 first quarter import of 70,895 MT multiplied by 117%). Thus, the likelihood of triggering the chilled beef safeguard is high without Japan extending its 'exceptional' calculation method for JFY 2008.

Table 1. Japanese Beef Safeguard Monitor for JFY 2006 - 2007 (YTD)

Beef Safeguard Trigger Levels for JFY 2006 and Actual Imports (S18)

Unit: Metric Ton (Customs Clearance Basis)					
Chilled Beef	**Trigger Level**	**Cum. Total**	**April**	**May**	**June**
	Quarterly Cum.	Actual Entry			
I (Apr. - Jun.)	**74,339**	57,700	19,525	17,464	20,711
			July	August	September
I - II (Apr. - Sept.)	**152,455**	111,133	18,264	17,514	17,655
			October	November	December
II - III (Apr. - Dec.)	**230,642**	173,562	20,032	22,233	20,164
			January	February	March
III - IV (Apr. - Mar.)	**292,354**	223,415	14,806	15,370	19,677
Frozen Beef	**Trigger Level**	**Cum. Total**	**April**	**May**	**June**
	Quarterly Cum.	Actual Entry			
I (Apr. - Jun.)	**70,716**	67,073	22,881	16,779	27,413
			July	August	September
I - II (Apr. - Sept.)	**160,040**	121,306	21,127	16,397	16,709
			October	November	December
II - III (Apr. - Dec.)	**246,871**	182,145	18,622	18,665	23,552
			January	February	March
III - IV (Apr. - Mar.)	**323,924**	243,161	23,892	14,954	22,170
Source: Ministry of Finance (ALIC Monthly)					

Beef Safeguard Trigger Levels for JFY 2007 and Actual Imports Year to Date (S19) - Preliminary					
Unit: Metric Ton (Customs Clearance Basis)					
Chilled Beef	**Trigger Level**	**Cum. Total**	**April**	**May**	**June**
	Quarterly Cum.	Actual Entry			
I (Apr. - Jun.)	**74,339**	57,587	19,346	18,659	19,582
			July	August	September
I - II (Apr. - Sept.)	**152,455**	57,587	0	0	0
			October	November	December
II - III (Apr. - Dec.)	**230,642**	57,587	0	0	0
			January	February	March
III - IV (Apr. - Mar.)	**292,354**	57,587	0	0	0
Frozen Beef	**Trigger Level**	**Cum. Total**	**April**	**May**	**June**
	Quarterly Cum.	Actual Entry			
I (Apr. - Jun.)	**78,475**	70,895	22,697	24,119	24,079
			July	August	September
I - II (Apr. - Sept.)	**160,040**	70,895	0	0	0
			October	November	December
II - III (Apr. - Dec.)	**246,871**	70,895	0	0	0
			January	February	March
III - IV (Apr. - Mar.)	**323,924**	70,895	0	0	0
Source: Ministry of Finance (ALIC Monthly)					

Note: For JFY 2006 and JFY 2007 beef SG trigger levels, the levels are determined based on a special measure by GOJ as per our voluntary report JA 6069.

2007 Beef Market Situation Update and Outlook Summary

Increased U.S. Beef Supply to Raise Total Beef Consumption in 2007

Post's CY 2007 PS&D projections for beef are revised based on most recent production, consumption and trade data (available for Jan. – Jun., 2007).

In 2007, Japan's total beef imports are projected to reach 728,000 MT, up 5% from last year (Generic; up 4% at 693,000 MT, processed and prepared products; up 3% to 35,000 MT), chiefly owing to increased imports of U.S. beef, projected at 57,000 MT (40,000 MT on customs clearance basis). In post's projection, U.S. beef sales will be roughly six times larger than last year level, but still only about one eighth of 2001 volumes.

Modest sales increase of U.S. beef (mainly constrained by supply and the high price) is contributing to Japan's upward overall beef consumption in 2007, projected to rise by 4% from a year before to 1.223 million MT. The year ending stocks are also projected modestly upward at 110,000 MT (See Table 2). Until this year, the beef stocks have been running relatively low and inadequate compared to a historic averages prior to the discovery of BSE (i.e., prior to 2001). Overall market prices for beef are expected to stay high this year for imported beef due to solid demand. However, the price for domestic beef is showing signs of softening, a change that is being modestly affected by an additional imports of U.S. beef.

Since the July 2006 market reopening, U.S. grain fed beef has reportedly been contributing to resumed sales by beef bowl chains and Korean style barbecue chains. However, the limited supply and high prices for popular specific cuts such as short plate, chuck eye role and some offal items (tongue and skirt meat, though not counted in PS&D) has hampered expanded use of U.S. beef by some major food service end users.

Several major Japanese retail chains now sell U.S. beef but are also bumping up against the limited availability verified animals. The first national retailer to resume selling U.S. beef was Seiyu Ltd, which began in March 2007. Since then, Ito-Yokado, Daiei and other major chains have followed Seiyu's lead. Although actual volumes by each chain are still reportedly limited, retail sales should contribute to extra sales of U.S. beef in the second half of the year.

Australian Beef's Stranglehold Will Begin to Slip in 2007

CY 2007 sales of Australian beef (generic beef cuts) are projected to fall modestly by 3% to 564,000 MT (395,000 MT on customs clearance basis) with the decline partly due to a minor increase in U.S. beef imports. For the first six months of this year, Australian beef exports kept up with last year's pace but the impact of the reentry of U.S. beef into the Japanese market should be felt more in the second half (See Table 3). Market sources indicate that the price of Australian beef remained high in the first half of the year. Furthermore, drought has reportedly sent an increased number of cattle to slaughter since last year, but number of cattle on feed is now reportedly lower. These factors point to a further declining of Australian grain fed beef destined to Japan in 2007.

For January – June, 2007, U.S. beef sales remained relatively small at 18,453 MT (12,917 MT on customs clearance basis) mainly constrained by the limited supply of cattle qualifying for the Japan's EV program (See Table 4, 5 and 6). However, a seasonal spike of the availability of age qualified cattle for the Japanese market, which reportedly occurs in spring and summer, should help to push sales volumes of U.S. beef up during the second half.

Slightly Upward Domestic Beef Production Forecast in 2007

Based on number of calves born in past years, Japan's total cattle slaughter is forecast to rise slightly in 2007, up 1% from last year to 1.23 million heads or 500,000 MT of domestic beef. In 2007, the slaughter of Wagyu and F1 cross breeds are expected to rise, which will likely more than offset a reduced slaughter of diary breeds. In the first half, high wholesale prices for medium grade domestic beef have started to ease, reflecting slumping consumption of domestic beef in general (See Supplemental table II). This is attributable to major retailers carrying U.S. beef this year. Thus, the price outlook for domestic beef in the second half is getting somewhat weaker.

Table 2. Japanese Monthly Beef Stock Estimates 2004 – 2007 YTD

						Unit: Metric ton (Carcass Equivalent)	
	2004	**2005**	**% Chg.**	**2006**	**% Chg.**	**2007**	**% Chg.**
Jan.	92,816	85,716	-8%	88,396	3%	109,124	23%
Feb.	99,883	87,856	-12%	86,691	-1%	106,140	22%
Mar.	95,441	91,827	-4%	92,063	0%	109,151	19%
Apr.	88,716	94,326	6%	96,636	2%	105,600	9%
May	84,867	104,870	24%	97,596	-7%	110,479	13%
Jun.	83,976	107,107	28%	104,973	-2%	114,799	9%
Jul.	89,974	117,334	30%	105,897	-10%		
Aug.	95,267	113,109	19%	102,733	-9%		
Sept.	94,473	103,691	10%	100,447	-3%		
Oct.	90,754	96,687	7%	97,213	1%		
Nov.	91,279	93,781	3%	106,286	13%		
Dec.	89,390	88,859	-1%	104,564	18%		
Source: ALIC Monthly Statistics							

Table 3. Australian Beef Exports to Japan

					Unit: Metric Ton (On Board Vessel Basis)		
Annual	2005	2006	% Chg.	06 Share	2006	2007	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Jul	Jan/Jul	Jan/Jul
Chilled Beef	223,333	210,125	-6%	100%	119,873	110,084	-8%
Grass	81,665	72,810	-11%	35%	42,030	36,458	-13%
Grain fed	141,668	137,315	-3%	65%	77,843	73,627	-5%
Frozen Beef	181,751	195,671	8%	100%	107,507	114,280	6%
Grass	130,644	142,871	9%	73%	78,475	84,487	8%
Grain fed	51,107	52,800	3%	27%	29,032	29,793	3%
TOTAL	**405,084**	**405,796**	**0%**	**100%**	**227,380**	**224,364**	**-1%**
Grass	212,309	215,681	2%	**53%**	120,505	120,944	0%
Grain fed	192,775	190,115	-1%	**47%**	106,875	103,420	-3%
Source: Meat Livestock Australia (MLA)							

Table 4-a. Japanese Chilled and Frozen Beef Combined Imports 2007 (Jan. – Jun.)

Unit: Metric Ton (Customs Clearance Basis)

					% Change
Rank	**Country**	**2005**	**2006**	**2007**	**- 07/06 -**
		Jan/Jun	**Jan/Jun**	**Jan/Jun**	**Jan/Jun**
0	**--World--**	**227,494**	**229,684**	**239,351**	**4%**
1	**Australia**	**201,058**	**201,560**	**202,016**	**0%**
2	New Zealand	22,137	23,190	19,191	-17%
3	United States	0	621	12,917	1981%
4	Mexico	2,671	3,080	3,459	12%
5	Canada	0	484	1,127	133%
6	Chile	1,314	325	267	-18%
7	Panama	49	85	154	80%
8	Vanuatu	183	223	154	-31%
9	Others	83	116	67	-42%
Source of data: Japan Customs (World Trade Atlas)					

Table 4-b. Japanese Chilled and Frozen Beef Combined Imports CY 2004 - 2006

						Unit: Metric Ton (Customs Clearance Basis)
					% Change	
Rank	**Country**	**2004**	**2005**	**2006**	**- 06/05 -**	**- 06 Share -**
		Jan/Dec	**Jan/Dec**	**Jan/Dec**	**Jan/Dec**	**Jan/Dec**
0	--World--	431,818	459,919	460,620	0%	100%
1	Australia	394,068	411,359	405,620	-1%	88%
2	New Zealand	33,569	37,953	37,931	0%	8%
3	United States	1,276	42	7,321	17419%	2%
4	Mexico	1,772	6,740	6,252	-7%	1%
5	Canada	0	5	2,087	42561%	0%
6	Vanuatu	448	534	547	3%	0%
7	Chile	665	2,942	483	-84%	0%
8	Others	20	344	379	10%	0%
Source of data: Japan Customs (World Trade Atlas)						

Table 5-a. Japanese Chilled Beef Imports 2007 (Jan. – Jun.)

					Unit: Metric Ton (Customs Clearance Basis)
					% Change
Rank	**Country**	**2005**	**2006**	**2007**	**- 07/06 -**
		Jan/Jun	**Jan/Jun**	**Jan/Jun**	**Jan/Jun**
0	**--World--**	**112,138**	**107,292**	**107,440**	**0%**
1	**Australia**	**109,011**	**102,384**	**96,111**	**-6%**
2	**United States**	**0**	**587**	**6,454**	**1000%**
3	New Zealand	2,139	2,736	3,008	10%
4	Mexico	978	1,130	940	-17%
5	Canada	0	455	925	104%
6	Others	10	0	2	#DIV/0!
Source of data: Japan Customs (World Trade Atlas)					

Table 5-b. Japanese Chilled Beef Imports CY 2004 - 2006

						Unit: Metric Ton (Customs Clearance Basis)
					% Change	

Rank	Country	2004	2005	2006	- 06/05 -	- 06 Share -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec
0	--World--	208,051	230,018	223,156	-3%	100%
1	Australia	203,618	222,893	208,245	-7%	93%
2	New Zealand	3,789	4,530	5,625	24%	3%
3	United States	0	42	5,089	12079%	2%
4	Mexico	644	2,530	2,471	-2%	1%
5	Canada	0	5	1,723	35120%	1%
6	Others	0	18	3	-86%	0%
Source of data: Japan Customs (World Trade Atlas)						

Table 6-a. Japanese Frozen Beef Imports 2007 (Jan. – Jun.)

Unit: Metric Ton (Customs Clearance Basis)					
					% Change
Rank	Country	2005	2006	2007	- 07/06 -
		Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun
0	--World--	115,356	122,392	131,911	8%
1	**Australia**	**92,047**	**99,176**	**105,905**	**7%**
2	New Zealand	19,998	20,453	16,182	-21%
3	**United States**	**0**	**34**	**6,463**	**18965%**
4	Mexico	1,693	1,950	2,519	29%
5	Chile	1,303	325	267	-18%
6	Canada	0	29	202	591%
7	Panama	49	85	154	80%
8	Vanuatu	183	223	154	-31%
9	Others	83	116	65	-44%
Source of data: Japan Customs (World Trade Atlas)					

Table 6-b. Japanese Frozen Beef Imports CY 2004 - 2006

Unit: Metric Ton (Customs Clearance Basis)						
					% Change	
Rank	Country	2004	2005	2006	- 06/05 -	- 06 Share -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec
0	--World--	223,766	229,901	237,464	3%	100%
1	Australia	190,450	188,466	197,376	5%	83%
2	New Zealand	29,780	33,424	32,305	-3%	14%
3	Mexico	1,127	4,209	3,781	-10%	2%
4	United States	1,276	0	2,232	#DIV/0!	1%
5	Vanuatu	448	534	547	3%	0%
6	Chile	665	2,924	483	-83%	0%
7	Canada	0	0	364	#DIV/0!	0%
8	Others	20	344	376	9%	0%
Source of data: Japan Customs (World Trade Atlas)						

Table 7-a. Japanese Imports of Prepared and Processed Beef Products 2007 (Jan. – Jun.)

					Unit: Metric Ton (Customs Clearance Basis)
					% Change
Rank	Country	2005	2006	2007	- 07/06 -
		Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun
0	--World--	10,426	9,559	6,998	-27%
1	**Australia**	**3,715**	**3,940**	**3,481**	**-12%**
2	China	4,376	3,631	1,664	-54%
3	Brazil	1,192	1,141	880	-23%
4	New Zealand	575	708	731	3%
5	Others	568	139	243	74%
Source of data: Japan Customs (World Trade Atlas)					

Table 7-b. Japanese Imports of Prepared and Processed Beef Products CY 2004 - 2006

						Unit: Metric Ton (Customs Clearance Basis)
					% Change	
Rank	Country	2004	2005	2006	- 06/05 -	- 06 Share -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec
0	--World--	16,223	23,524	18,708	-20%	100%
1	Australia	8,299	7,775	8,396	8%	45%
2	China	4,240	10,276	6,294	-39%	34%
3	Brazil	1,875	3,126	2,249	-28%	12%
4	New Zealand	1,105	1,302	1,466	13%	8%
5	Others	704	1,046	303	-71%	2%
Source of data: Japan Customs (World Trade Atlas)						

Pork Section

2008 Pork Market Outlook

High Price Outlook to Slightly Lower Japan's Pork Consumption in 2008

Japan's 2008 total pork consumption if forecast to decline by 1% from last year to 2.427 million MT. This is mainly due to the impact of higher feed, and thus causing higher domestic pork prices in 2008. Given this, Japan's 2008 total pork imports are projected to rise by 1% to 1.157 million MT (generic pork cuts; up 1% at 1.050 million MT, prepared and processed products, unchanged at 107,000 MT). The projected growth is mostly attributed to increase sales of chilled pork (See Note).

The modest sales growth of U.S. beef in the retail sector will not likely eat into sales of U.S. and Canadian chilled pork.

Historic PS&D data analysis suggests that pork is a substitute for beef. When BSE-consumption and trade disruptions began in Oct. 2001, Japan's total beef consumption in 2006, estimated at 1.173 million MT, was 17% below 2001 levels. Conversely, Japan's pork consumption in 2006, estimated at 2.449 million MT, was 8% above 2001 levels. If Japan were to end age restrictions on U.S. beef, pork consumption could fall.

Frozen Raw Material Pork Trade to Contract in Coming Years

Japan's utilization of imported pork (generic cuts) as a raw material for ham, bacon and sausage manufacturing for the past 5 years (2001 – 2006) averaged at 406,000 MT (product weight basis), accounting for more than two thirds of Japan's total pork utilization for the processing (See Supplemental Table VIII). This big market segment for imported frozen pork may contract over the next decade due to high cost of using the imported frozen cuts.

Increased enforcement of the so-called gate price mechanism of collecting duties is one reason for the increased costs. The gate price system began in 1995 as a mechanism negotiated in the Uruguay Round and strongly resembles a variable levy. If pork meat imports, priced at entry into Japan, are valued at or above the gate price, then they pay a simple tariff of 4.3 percent. If their value is lower than the gate price, the importer must pay the difference between the import value and the gate price as a duty. The 4.3 percent specific duty is then also applied. In practice, the gate price is compared with the average value of the invoice on a shipment, which is usually one or more containers. The system puts disproportionately high tariffs on lower-valued pork cuts and is subject to fraud.

Overall, reduced pork imports should further run down the year ending stocks from last year, projected down by 8% from a year before to an estimated 181,000 MT, a level considered as conventional by the industry.

Similar to 2007, import demand for seasoned ground pork (mainly made out of picnic) in 2008, is expected to be steady. In recent years, the product has increasingly been used as an alternative to imported genetic picnic cuts, which became more and more difficult to import under stepped up enforcement of the gate price system. Seasoned ground pork is outside of the gate price system and is subject to a simple 20% ad valorem import duty.

Outsourcing of the Finished Ham and Sausage Expected to Increase

As a result of the above, the Japanese meat processing industry is increasingly outsourcing the manufacture of finished products. Import of sausages from China have shot up 90% in 2006 over 2001 to 40,694 MT (customs clearance basis). Imported sausage now claim a 15% share of the domestic market. Again, this category trade is outside of the gate price system and has a simple 10% ad valorem import duty. (Note: Sausages are not counted in the PS&D.)

No Pork Safeguard Likely in JFY 2008

JFY 2008 first quarter pork safeguard (SG) trigger level (April – June 2008) is provisionally calculated at 266,641 MT on customs clearance basis. The safeguard trigger level is calculated as an average of JFY 2005 - 2007 first quarter imports (224,068 MT) multiplied by 119% . It is unlikely the imports for April – June 2008 will exceed the above SG trigger level as long as government's enforcement of the gate price system stays effectively in place (See Note).

Slightly Lower Domestic Pork Production Forecast in 2008

Total domestic pork production in 2008 is projected to fall by less than 1% to 1.255 million MT primarily due to farmers' cutting back in response to expected high feed prices in 2008. Japan's swine industry uses nearly 6.0 million MT of formula and mixed feeds, which uses mostly imported grains and ingredients with a major ingredient being U.S. corn.

2007 Pork Market Situation Update Summary

Pork Consumption and Imports to Stay Flat in 2007

Japan's total pork consumption in 2007 is forecast to maintain last year's level at 2.457 million MT. There have been several food safety related issues in 2007 (including the New Hope Co. in Hokkaido) but these have not had an appreciable impact on pork consumption.

Growing U.S. Beef Sales to Counter U.S. Chilled Pork Sales

Total pork imports are projected to reach 1.15 million MT, unchanged from last year (Generic; up 1% at 1.043 million MT and processed and prepared products; down 3%to 107,000 MT). Slight increase of generic pork imports is mainly due to relatively solid sales growth during the first half for retail and some food service restaurant chains. This mainly benefits U.S. and Canadian chilled pork suppliers. [See supplemental table I) and table 11, 12, & 13].

Japan's imports of frozen raw material pork cuts for processing in 2007, which accounts about 70% of the total pork imports, is also projected unchanged from last year. The government's crack down on illegal imports has helped to level off monthly import level throughout the year (See Table 8). Thus, the year ending stocks in 2007 are projected 19% down to 196,000 MT.

Slight increase of Domestic Pork Production Forecast

Japan's total domestic pork production, based on the total sow numbers (up 1% to 915,000 head) at the year beginning, is projected up by 1% to 1,260 million MT. This represents a total slaughter of 16.36 million head. Domestic hog producers have been responding to relatively firm market prices over the last several years. [See supplemental table V).]. However, a heat wave this year may trim the production level in the second half slightly. Major pork producing regions were hit hard and their hog shipments for slaughter are reportedly down. While solid wholesale market prices of domestic hog carcasses are expected though 2007, rising feed prices have begun to hurt Japanese hog producers.

Table 8. Japanese Pork Safeguard Monitor for JFY 2005 – 2007 (YTD)

Pork Safeguard Trigger Levels for JFY 2005 and Actual Imports (S 17)					
Unit: Metric Ton (Customs Clearance Basis)					
	Trigger Level	**Cum. Total**	**April**	**May**	**June**
	Quarterly Cum.	**Actual Entry**			
I (Apr. - Jun.)	**307,305**	**288,909**	139,203	86,343	63,363
			July	August	September
I - II (Apr. - Sept.)	**549,947**	**520,966**	94,082	71,978	65,997
			October	November	December
II - III (Apr. - Dec.)	**758,902**	**702,512**	62,087	65,826	53,633
			January	February	March
III - IV (Apr. - Mar.)	**953,153**	**875,425**	50,841	57,434	64,638
Pork Safeguard Trigger Levels for JFY 2006 and Actual Imports (S 18)					
Unit: Metric Ton (Customs Clearance Basis)					
	Trigger Level	**Cum. Total**	**April**	**May**	**June**
	Quarterly Cum.	**Actual Entry**			
I (Apr. - Jun.)	**335,377**	**196,088**	65,720	66,289	64,079
			July	August	September
I - II (Apr. - Sept.)	**589,122**	**359,605**	52,441	63,117	47,959
			October	November	December
II - III (Apr. - Dec.)	**797,056**	**535,060**	54,693	62,701	58,061
			January	February	March
III - IV (Apr. - Mar.)	**1,002,164**	**719,356**	61,659	63,948	58,689
Pork Safeguard Trigger Levels for JFY 2007 and Actual Imports Year to Date (S19) – Preliminary					
Unit: Metric Ton (Customs Clearance Basis)					
	Trigger Level	**Cum. Total**	**April**	**May**	**June**
	Quarterly Cum.	**Actual Entry**			
I (Apr. - Jun.)	**318,036**	**187,206**	58,937	69,385	58,884
			July	August	September
I - II (Apr. - Sept.)	**554,816**	**187,206**	0	0	0
			October	November	December
II - III (Apr. - Dec.)	**767,001**	**187,206**	0	0	0
			January	February	March
III - IV (Apr. - Mar.)	**976,823**	**187,206**	0	0	0
Source: Ministry of Finance					

Table 9. Japanese Monthly Pork Stock Estimates 2004 – 2007 YTD

Unit: Metric Ton (Carcass Equivalent)

Month/Year	2004	2005	% Chg.	2006	% Chg.	2007	% Chg.
Jan.	212,876	242,553	14%	298,709	23%	251,909	-16%
Feb.	209,590	247,297	18%	292,199	18%	267,307	-9%
Mar.	215,531	253,109	17%	299,410	18%	264,406	-12%
Apr.	259,394	300,199	16%	300,557	0%	260,270	-13%
May	295,539	326,394	10%	308,479	-5%	276,093	-10%
Jun.	315,399	324,949	3%	306,377	-6%	269,091	-12%
Jul.	334,969	344,059	3%	296,773	-14%		
Aug.	304,363	338,291	11%	285,637	-16%		
Sept.	273,546	322,837	18%	262,590	-19%		
Oct.	244,701	327,361	34%	248,823	-24%		
Nov.	225,691	321,483	42%	245,769	-24%		
Dec.	222,780	299,774	35%	242,840	-19%		
Source: ALIC Monthly Statistics							

Table 10-a. Japanese Chilled and Frozen Pork Combined Imports 2007 (Jan. – Jun.)

Unit: Metric Ton (Customs Clearance Basis)					
					% Change
Rank	Country	2005	2006	2007	- 07/06 -
		Jan/Jun	Jan/Jun	Jan/Jun	Jan/Jun
0	**--World--**	**458,592**	**375,773**	**381,313**	**1%**
1	**United States**	**158,040**	**126,444**	**137,064**	**8%**
2	Canada	109,995	78,616	85,383	9%
3	Denmark	117,001	91,802	79,527	-13%
4	Chile	23,067	27,208	24,779	-9%
5	Mexico	16,861	20,140	22,808	13%
6	Spain	1,467	3,974	5,650	42%
7	Austria	5,977	3,016	4,650	54%
8	France	3,780	6,035	4,547	-25%
9	Ireland	6,131	4,717	4,299	-9%
10	Others	16,274	13,821	12,607	-9%
Source of data: Japan Customs (World Trade Atlas)					

Table 10-b. Japanese Chilled and Frozen Pork Combined Imports CY 2004 - 2006

Unit: Metric Ton (Customs Clearance Basis)						
					% Change	
Rank	Country	2004	2005	2006	- 06/05 -	- 06 Share -
		Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec
0	**--World--**	**863,801**	**873,115**	**724,903**	**-17%**	**100%**
1	**United States**	**256,110**	**287,909**	**252,268**	**-12%**	**35%**
2	Denmark	267,695	230,976	168,037	-27%	23%
3	Canada	184,916	195,235	151,712	-22%	21%
4	Chile	38,954	51,717	50,645	-2%	7%
5	Mexico	32,665	35,189	40,359	15%	6%
6	Hungary	17,257	17,350	12,046	-31%	2%
7	France	12,071	10,296	10,137	-2%	1%

8	Ireland	8,580	11,179	9,599	-14%	1%
9	Spain	2,144	4,551	8,199	80%	1%
10	Austria	9,093	12,543	7,404	-41%	1%
11	Netherlands	12,276	4,557	4,565	0%	1%
12	Finland	5,284	5,140	3,112	-39%	0%
13	Sweden	2,056	975	2,471	153%	0%
14	Australia	8,449	2,792	2,204	-21%	0%
15	Others	6,252	2,706	2,143	-21%	0%
Source of data: Japan Customs (World Trade Atlas)						

Table 11-a. Japanese Chilled Pork Imports 2007 (Jan. – Jun.)

Unit: Metric Ton (Customs Clearance Basis)					
Rank	**Country**	**2005**	**2006**	**2007**	**- 07/06 -**
					% Change
		Jan/Jun	**Jan/Jun**	**Jan/Jun**	**Jan/Jun**
0	**--World--**	**92,237**	**108,306**	**114,526**	**6%**
1	**United States**	**66,373**	**76,592**	**78,675**	**3%**
2	Canada	19,393	25,222	28,441	13%
3	Mexico	5,077	5,510	6,807	24%
4	Others	1,394	982	603	-39%
Source of data: Japan Customs (World Trade Atlas)					

Table 11-b. Japanese Chilled Pork Imports CY 2004 - 2006

Unit: Metric Ton (Customs Clearance Basis)						
					% Change	
Rank	**Country**	**2004**	**2005**	**2006**	**- 06/05 -**	**- 06 Share -**
		Jan/Dec	**Jan/Dec**	**Jan/Dec**	**Jan/Dec**	**Jan/Dec**
0	**--World--**	**193,575**	**201,671**	**222,529**	**10%**	**100%**
1	**United States**	**137,298**	**145,861**	**154,410**	**6%**	**69%**
2	Canada	39,449	42,838	53,806	26%	24%
3	Mexico	9,597	10,531	12,328	17%	6%
4	Australia	6,755	2,173	1,678	-23%	1%
5	Others	476	269	307	14%	0%
Source of data: Japan Customs (World Trade Atlas)						

Table 12-a. Japanese Frozen Pork Imports 2007 (Jan. – Jun.)

Unit: Metric Ton (Customs Clearance Basis)					
					% Change
Rank	**Country**	**2005**	**2006**	**2007**	**- 07/06 -**
		Jan/Jun	**Jan/Jun**	**Jan/Jun**	**Jan/Jun**
0	**--World--**	**366,355**	**267,467**	**266,787**	**0%**
1	Denmark	116,902	91,688	79,527	-13%
2	**United States**	**91,667**	**49,853**	**58,389**	**17%**
3	Canada	90,602	53,394	56,942	7%
4	Chile	23,065	27,208	24,779	-9%
5	Mexico	11,783	14,629	16,001	9%
6	Spain	1,444	3,940	5,624	43%
7	Austria	5,977	3,016	4,650	54%

8	France	3,775	6,028	4,539	-25%
9	Ireland	6,131	4,717	4,299	-9%
10	Netherlands	2,972	2,055	4,004	95%
11	Hungary	7,854	6,492	3,156	-51%
12	Others	4,184	4,449	4,877	10%
Source of data: Japan Customs (World Trade Atlas)					

Table 12-b. Japanese Frozen Pork Imports CY 2004 - 2006

Unit: Metric Ton (Customs Clearance Basis)						
					% Change	
Rank	**Country**	**2004**	**2005**	**2006**	**- 06/05 -**	**- 06 Share -**
0	**--World--**	**670,226**	**671,444**	**502,374**	**-25%**	**100%**
1	Denmark	267,355	230,763	167,851	-27%	33%
2	Canada	145,467	152,398	97,906	-36%	19%
3	**United States**	**118,812**	**142,048**	**97,858**	**-31%**	**19%**
4	Chile	38,954	51,716	50,621	-2%	10%
5	Mexico	23,068	24,658	28,032	14%	6%
6	Hungary	17,257	17,350	12,022	-31%	2%
7	France	12,065	10,287	10,122	-2%	2%
8	Ireland	8,580	11,179	9,599	-14%	2%
9	Spain	2,106	4,508	8,144	81%	2%
10	Austria	9,093	12,543	7,404	-41%	1%
11	Netherlands	12,276	4,557	4,565	0%	1%
12	Finland	5,284	5,140	3,112	-39%	1%
13	Sweden	2,056	975	2,471	153%	0%
14	Others	7,854	3,321	2,667	-20%	1%
Source of data: Japan Customs (World Trade Atlas)						

Table 13-a. Japanese Imports of Prepared and Processed Pork Products 2007 (Jan. – Jun.)

Unit: Metric Ton (Customs Clearance Basis)					
					% Change
Rank	**Country**	**2005**	**2006**	**2007**	**- 07/06 -**
		Jan/Jun	**Jan/Jun**	**Jan/Jun**	**Jan/Jun**
0	**--World--**	**26,028**	**38,995**	**38,151**	**-2%**
1	**United States**	**13,610**	**23,312**	**25,098**	**8%**
2	China	4,281	4,708	4,813	2%
3	Canada	5,504	9,203	4,723	-49%
4	Chile	745	48	1,512	3068%
5	Others	1,888	1,724	2,004	16%
Source of data: Japan Customs (World Trade Atlas)					

Table 13-b. Japanese Imports of Prepared and Processed Pork Products CY 2004 - 2006

Unit: Metric Ton (Customs Clearance Basis)						
					% Change	
Rank	**Country**	**2004**	**2005**	**2006**	**- 06/05 -**	**- 06 Share -**

		Jan / Dec	Jan / Dec	Jan / Dec	Jan / Dec	Jan / Dec
0	**--World--**	**46,513**	**63,067**	**76,651**	**22%**	**100%**
1	**United States**	**24,601**	**30,114**	**46,609**	**55%**	**61%**
2	Canada	9,033	16,672	14,025	-16%	18%
3	China	8,965	9,326	10,085	8%	13%
4	Chile	208	1,678	1,968	17%	3%
5	Italy	933	1,102	1,264	15%	2%
6	Mexico	247	382	984	158%	1%
7	Thailand	247	243	498	105%	1%
8	Denmark	1,123	2,063	495	-76%	1%
9	Spain	145	162	256	58%	0%
10	Others	1,010	1,325	467	-65%	1%
Source of data: Japan Customs (World Trade Atlas)						

Cattle PS&D Table

Japan Animal Numbers, Cattle										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Total Cattle Beg. Stks	4390	4390	4390	4410	4410	4391	4400	4400	4398	(1000 HEAD)
Dairy Cows Beg. Stocks	900	900	900	890	890	871	0	0	875	(1000 HEAD)
Beef Cows Beg. Stocks	621	621	621	620	620	635	0	0	620	(1000 HEAD)
Production (Calf Crop)	1400	1400	1400	1390	1390	1405	0	0	1400	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	26	28	26	28	30	27	0	0	27	(1000 HEAD)
Total Imports	26	28	26	28	30	27	0	0	27	(1000 HEAD)
Total Supply	5816	5818	5816	5828	5830	5823	4400	4400	5825	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Cow Slaughter	560	560	560	565	565	553	0	0	548	(1000 HEAD)
Calf Slaughter	7	7	7	10	10	7	0	0	7	(1000 HEAD)
Other Slaughter	649	649	649	655	655	670	0	0	660	(1000 HEAD)
Total Slaughter	1216	1216	1216	1230	1230	1230	0	0	1215	(1000 HEAD)
Loss	190	192	209	198	200	195	0	0	210	(1000 HEAD)
Ending Inventories	4410	4410	4391	4400	4400	4398	0	0	4400	(1000 HEAD)
Total Distribution	5816	5818	5816	5828	5830	5823	0	0	5825	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)

(Post new estimates are not official USDA data)

Beef PS&D Table

Japan Meat, Beef and Veal										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Slaughter (Reference)	1216	1216	1216	1230	1230	1230	0	0	0	(1000 HEAD)
Beginning Stocks	89	89	89	105	105	105	95	95	110	(1000 MT CWE)
Production	497	497	497	500	500	500	0	0	495	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	692	692	692	700	720	728	0	0	735	(1000 MT CWE)
Total Imports	692	692	692	700	720	728	0	0	735	(1000 MT CWE)
Total Supply	1278	1278	1278	1305	1325	1333	95	95	1340	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	1173	1173	1173	1210	1230	1223	0	0	1230	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	1173	1173	1173	1210	1230	1223	0	0	1230	(1000 MT CWE)
Ending Stocks	105	105	105	95	95	110	0	0	110	(1000 MT CWE)
Total Distribution	1278	1278	1278	1305	1325	1333	0	0	1340	(1000 MT CWE)
CY Imp. from U.S.	10	10	10	57	57	57	0	0	110	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)

(Post new estimates are not official USDA data)

Swine PS&D Table

Japan Animal Numbers, Swine										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YY YY
Total Beginning Stocks	9620	9620	9620	9610	9610	9759	9560	9560	9750	(1000 HEAD)
Sow Beginning Stocks	907	907	907	900	900	915	0	0	915	(1000 HEAD)
Production (Pig Crop)	16950	16950	16950	16850	16850	17100	0	0	17100	(1000 HEAD)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Supply	26570	26570	26570	26460	26460	26859	9560	9560	26850	(1000 HEAD)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	16210	16210	16210	16150	16150	16360	0	0	16350	(1000 HEAD)
Total Slaughter	16210	16210	16210	16150	16150	16360	0	0	16350	(1000 HEAD)
Loss	750	750	601	750	750	749	0	0	750	(1000 HEAD)
Ending Inventories	9610	9610	9759	9560	9560	9750	0	0	9750	(1000 HEAD)
Total Distribution	26570	26570	26570	26460	26460	26859	0	0	26850	(1000 HEAD)
CY Imp. from U.S.	70	125	125	80	115	50	0	0	50	(HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 HEAD)

(Post new estimates are not official USDA data)

Pork PS&D Table

Japan Meat, Swine										
	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Slaughter (Reference)	16210	16210	16210	16150	16150	16350	0	0	16350	(1000 HEAD)
Beginning Stocks	300	300	300	243	243	243	200	200	196	(1000 MT CWE)
Production	1247	1247	1247	1240	1240	1260	0	0	1255	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	1146	1145	1145	1225	1121	1150	0	0	1157	(1000 MT CWE)
Total Imports	1146	1145	1145	1225	1121	1150	0	0	1157	(1000 MT CWE)
Total Supply	2693	2692	2692	2708	2604	2653	200	200	2608	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	2450	2449	2449	2508	2404	2457	0	0	2427	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	2450	2449	2449	2508	2404	2457	0	0	2427	(1000 MT CWE)
Ending Stocks	243	243	243	200	200	196	0	0	181	(1000 MT CWE)
Total Distribution	2693	2692	2692	2708	2604	2653	0	0	2608	(1000 MT CWE)
CY Imp. from U.S.	436	427	427	436	414	443	0	0	450	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT CWE)

(Post new estimates are not official USDA data)

Supplemental Tables:

I). Japanese Monthly Household Beef and Pork Consumption 2004 – 2007 (YTD)

Unit: Grams per Household							
Beef							
	2004	**2005**	**% Chg.**	**2006**	**% Chg.**	**2007**	**% Chg.**
Jan.	525	575	10%	553	-4%	581	5%
Feb.	520	537	3%	518	-4%	510	-2%
Mar.	611	602	-1%	546	-9%	565	3%
Apr.	573	579	1%	549	-5%	600	9%
May	618	651	5%	565	-13%	595	5%
Jun.	587	548	-7%	576	5%	539	-6%
1st Half	**3,434**	**3,492**	**2%**	**3,307**	**-5%**	**3,390**	**3%**
July	593	545	-8%	568	4%		
Aug.	663	629	-5%	594	-6%		
Sept.	535	556	4%	521	-6%		
Oct.	599	612	2%	582	-5%		
Nov.	555	589	6%	550	-7%		
Dec.	743	782	5%	755	-3%		
2nd Half	**3,688**	**3,713**	**1%**	**3,570**	**-4%**		
Year Total	**7,122**	**7,205**	**1%**	**6,877**	**-5%**		
Pork							
	2004	**2005**	**% Chg.**	**2006**	**% Chg.**	**2007**	**% Chg.**
Jan.	1,389	1,412	2%	1,380	-2%	1,489	8%
Feb.	1,447	1,375	-5%	1,369	0%	1,379	1%
Mar.	1,511	1,453	-4%	1,445	-1%	1,464	1%
Apr.	1,427	1,435	1%	1,381	-4%	1,457	6%
May	1,458	1,455	0%	1,415	-3%	1,474	4%
Jun.	1,463	1,396	-5%	1,408	1%	1,385	-2%
1st Half	**8,695**	**8,526**	**-2%**	**8,398**	**-2%**	**8,648**	**3%**
July	1,403	1,351	-4%	1,355	0%		
Aug.	1,443	1,376	-5%	1,387	1%		
Sept.	1,353	1,403	4%	1,370	-2%		
Oct.	1,499	1,491	-1%	1,483	-1%		
Nov.	1,448	1,512	4%	1,522	1%		
Dec.	1,497	1,601	7%	1,612	1%		
2nd Half	**8,643**	**8,734**	**1%**	**8,729**	**0%**		
Year Total	**17,338**	**17,260**	**0%**	**17,127**	**-1%**		
Source: Ministry of Internal Affairs and Communications (Daily Meat and Livestock)							

II). Average Wholesale Price of Medium Grade Domestic Carcass in Tokyo

Unit: JP Yens per kg.					
WAGYU STEER A-3 GRADE					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	887	1,208	1,505	1,724	**1,331**
2003	1,664	1,668	1,728	1,789	**1,712**
%chg	88%	38%	15%	4%	**29%**
2004	1,740	1,875	1,897	1,953	**1,866**
%chg	5%	12%	10%	9%	**9%**
2005	1,949	1,944	1,926	2,088	**1,977**

%chg	12%	4%	2%	7%	**6%**
2006	1,957	1,986	1,975	2,004	**1,981**
%chg	0%	2%	3%	-4%	**0%**
2007	1,894	1,856			**1,875**
%chg	-3%	-7%			**-5%**

WAGYU STEER A-2 GRADE

Year/Month	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Yearly Ave.
2002	531	964	1,303	1,423	**1,055**
2003	1,380	1,403	1,476	1,518	**1,444**
%chg	160%	46%	13%	7%	**37%**
2004	1,550	1,660	1,700	1,735	**1,661**
%chg	12%	18%	15%	14%	**15%**
2005	1,730	1,712	1,672	1,782	**1,724**
%chg	12%	3%	-2%	3%	**4%**
2006	1,723	1,711	1,656	1,616	**1,676**
%chg	-0%	-0%	-1%	-9%	**-3%**
2007	1,645	1,537			**1,591**
%chg	-4%	-10%			**-5%**

WAGYU Heifer A-3 GRADE

Year/Month	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Yearly Ave.
2002	871	1,181	1,481	1,716	**1,313**
2003	1,653	1,649	1,706	1,774	**1,696**
%chg	90%	40%	15%	3%	**29%**
2004	1,746	1,872	1,908	1,970	**1,874**
%chg	6%	13%	12%	11%	**11%**
2005	1,957	1,944	1,947	2,106	**1,989**
%chg	12%	4%	2%	7%	**6%**
2006	1,981	2,000	1,976	2,015	**1,993**
%chg	1%	3%	1%	-4%	**0%**
2007	1,901	1,867			**1,884**
%chg	-4%	-7%			**-5%**

Holstein Steer B-2 Grade

Year/Month	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Yearly Ave.
2002	166	325	515	671	**420**
2003	500	518	561	671	**562**
%chg	201%	59%	9%	-0%	**34%**
2004	789	836	770	784	**795**
%chg	58%	61%	37%	17%	**41%**
2005	828	836	786	886	**834**
%chg	5%	0%	2%	13%	**5%**
2006	874	903	807	899	**871**
%chg	6%	8%	3%	1%	**4%**
2007	826	765			**796**
%chg	-5%	-15%			**-9%**

Holstein Cow C-2 GRADE					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	99	151	261	372	**221**
2003	319	364	372	388	**361**
%chg	223%	142%	43%	4%	**64%**
2004	506	605	574	487	**543**
%chg	58%	66%	54%	25%	**50%**
2005	507	565	562	536	**543**
%chg	0%	-7%	-2%	10%	**-0%**
2006	517	528	523	517	**521**
%chg	2%	-7%	-7%	-3%	**-4%**
2007	506	540			**523**
%chg	-2%	2%			**0%**
F1 Cross Breed Heifer B-3 GRADE					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	449	726	1,120	1,291	**897**
2003	1,202	1,207	1,240	1,266	**1,229**
%chg	168%	66%	11%	-2%	**37%**
2004	1,198	1,336	1,384	1,429	**1,337**
%chg	-0%	11%	12%	13%	**9%**
2005	1,433	1,467	1,460	1,486	**1,462**
%chg	20%	10%	5%	4%	**9%**
2006	1,455	1,405	1,373	1,411	**1,411**
%chg	2%	-4%	-6%	-5%	**-3%**
2007	1,354	1,304			**1,329**
%chg	-7%	-7%			**-6%**
F1 Cross Breed Heifer B-2 GRADE					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	289	568	937	1,012	**701**
2003	890	871	928	954	**911**
%chg	208%	53%	-1%	-6%	**30%**
2004	1,014	1,183	1,216	1,214	**1,157**
%chg	14%	36%	31%	27%	**27%**
2005	1,259	1,320	1,277	1,290	**1,287**
%chg	24%	12%	5%	6%	**11%**
2006	1,277	1,213	1,110	1,185	**1,196**
%chg	1%	-8%	-13%	-8%	**-7%**
2007	1,143	1,096			**1,119**
%chg	-11%	-10%			**-6%**
F1 Cross Breed Steer B-3 GRADE					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	453	737	1,148	1,330	**917**
2003	1,252	1,235	1,276	1,298	**1,265**
%chg	177%	67%	11%	-2%	**38%**
2004	1,316	1,356	1,407	1,458	**1,360**

%chg	5%	10%	10%	12%	**7%**
2005	1,484	1,497	1,498	1,527	**1,487**
%chg	13%	10%	6%	5%	**9%**
2006	1,487	1,449	1,438	1,462	**1,461**
%chg	0%	-3%	-4%	-4%	**-2%**
2007	1,371	1,343			**1,357**
%chg	-8%	-7%			**-7%**
F1 Cross Breed Steer B-2 GRADE					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	304	579	947	1,056	**722**
2003	922	909	966	999	**949**
%chg	203%	57%	2%	-5%	**32%**
2004	1,016	1,212	1,248	1,261	**1,184**
%chg	10%	33%	29%	26%	**25%**
2005	1,292	1,345	1,320	1,334	**1,323**
%chg	27%	11%	6%	6%	**12%**
2006	1,308	1,247	1,158	1,229	**1,236**
%chg	1%	-7%	-12%	-8%	**-7%**
2007	1,185	1,133			**1,159**
%chg	-9%	-9%			**-6%**
Source: ALIC Monthly (Note: Quarterly data are compiled by post)					

III). Average Wholesale Price of Imported Beef (Chilled Cuts) 2002 – 2007 YTD

					Unit: JP Yens per kg.
Full Set, Aussie Beef, Chilled, (Short Grain Fed)					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	601	597	589	658	**611**
2003	669	700	753	821	**736**
%chg	11%	17%	28%	25%	**20%**
2004	920	869	835	864	**872**
%chg	38%	24%	11%	5%	**18%**
2005	877	832	821	934	**866**
%chg	-5%	-4%	-2%	8%	**-1%**
2006	949	904	903	966	**930**
%chg	8%	9%	10%	3%	**7%**
2007	938	930			**934**
%chg	-1%	3%			**0%**
Full Set, Aussie Beef, Chilled, (Grass Fed)					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	563	510	489	602	**541**
2003	631	615	643	725	**654**
%chg	12%	21%	31%	20%	**21%**
2004	773	733	699	748	**738**
%chg	22%	19%	9%	3%	**13%**
2005	771	672	664	786	**723**
%chg	-0%	-8%	-5%	5%	**-2%**

2006	812	761	792	872	**810**
%chg	5%	13%	19%	11%	**12%**
2007	854	817			**836**
%chg	5%	7%			**3%**
Navel-end Brisket, Aussie Beef, Chilled					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	413	363	357	431	**391**
2003	432	446	509	621	**502**
%chg	5%	23%	42%	44%	**28%**
2004	759	958	737	712	**792**
%chg	76%	115%	45%	15%	**58%**
2005	769	715	715	711	**728**
%chg	1%	-25%	-3%	-0%	**-8%**
2006	703	696	753	743	**724**
%chg	-9%	-3%	5%	5%	**-1%**
2007	687	638			**662**
%chg	-2%	-8%			**-8%**
Strip Loin, Aussie Beef, Chilled					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	1,018	786	993	973	**943**
2003	1,032	1,108	1,042	1,103	**1,071**
%chg	1%	41%	5%	13%	**14%**
2004	1,289	1,177	1,185	1,245	**1,224**
%chg	25%	6%	14%	13%	**14%**
2005	1,328	1,118	1,239	1,279	**1,241**
%chg	3%	-5%	5%	3%	**1%**
2006	1,495	1,333	1,294	1,315	**1,360**
%chg	13%	19%	4%	3%	**10%**
2007	1,336	1,370			**1,353**
%chg	-11%	3%			**-0%**
Source: ALIC Monthly (Note: Quarterly data are compiled by post)					

IV). Average Wholesale Price of Imported Beef (Frozen Cuts) 2002 – 2007 YTD

					Unit: JP Yens per kg.
Chuck & Blade, Aussie Beef, Frozen					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	416	411	370	412	**402**
2003	419	405	425	450	**425**
%chg	1%	-1%	15%	9%	**6%**
2004	520	517	552	584	**543**
%chg	24%	27%	30%	30%	**28%**
2005	562	495	494	547	**524**
%chg	8%	-4%	-11%	-6%	**-3%**
2006	573	532	543	591	**560**
%chg	2%	8%	10%	8%	**7%**
2007	575	568			**571**

%chg	0%	7%			**2%**
Top Side, Aussie Beef, Frozen					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	482	483	478	484	**481**
2003	503	501	514	525	**511**
%chg	4%	4%	8%	8%	**6%**
2004	570	508	538	583	**550**
%chg	13%	1%	5%	11%	**8%**
2005	567	512	524	598	**550**
%chg	-0%	1%	-3%	3%	**0%**
2006	624	583	634	686	**632**
%chg	10%	14%	21%	15%	**15%**
2007	653	618			**636**
%chg	5%	6%			**1%**
Trimming, Aussie Beef, Frozen					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	381	375	343	340	**360**
2003	343	352	349	404	**362**
%chg	-10%	-6%	2%	19%	**1%**
2004	417	432	445	464	**440**
%chg	22%	23%	28%	15%	**21%**
2005	454	414	427	443	**435**
%chg	9%	-4%	-4%	-5%	**-1%**
2006	452	436	438	441	**442**
%chg	-1%	5%	2%	-0%	**2%**
2007	445	452			**449**
%chg	-1%	4%			**2%**
Source: ALIC Monthly (Note: Quarterly data are compiled by post.)					

V). Average Wholesale Price of Domestic Pork Carcass 2002 – 2007 YTD

					Unit: JP Yen per Kg.
Category by Meat Grade					
Excellent Grade					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	498	559	510	396	**491**
2003	413	460	426	397	**424**
% chg	-17%	-18%	-16%	0%	**-14%**
2004	498	487	523	424	**483**
% chg	21%	6%	23%	7%	**14%**
2005	472	496	509	443	**480**
% chg	-5%	2%	-3%	4%	**-1%**
2006	442	501	513	444	**475**
% chg	-6%	1%	1%	0%	**-1%**
2007	447	507			**477**
% chg	1%	1%			**0%**

Medium Grade					
Year/Month	**1st Qtr.**	**2nd Qtr.**	**3rd Qtr.**	**4th Qtr.**	**Yearly Ave.**
2002	459	525	469	355	**452**
2003	362	408	359	332	**365**
% chg	-21%	-22%	-23%	-7%	**-19%**
2004	438	427	465	381	**428**
% chg	21%	5%	29%	15%	**17%**
2005	426	464	482	416	**447**
% chg	-3%	9%	4%	9%	**5%**
2006	412	476	488	417	**448**
% chg	-3%	3%	1%	0%	**0%**
2007	413	473			**443**
% chg	0%	-0%			**-1%**
Source: ALIC Monthly (Note: Quarterly data are compiled by post)					

VI). Japanese Cattle Inventory Data as of Feb. 1, 2007

Unit: 1,000 Farms							
	2004	**2005**	**%chg**	**2006**	**%chg**	**2007**	**%chg**
Number of Beef Cattle Farms	**93.9**	**89.6**	**-5%**	**85.6**	**-4%**	**82.3**	**-4%**
Number of Dairy Cattle Farms (Female)	**28.8**	**27.7**	**-4%**	**26.6**	**-4%**	**25.4**	**-5%**
							Unit: 1,000 heads
Beef Cattle (Wagyu and Other)	1,708	1,697	-1%	1,703	0%	1,742	2%
Dairy Cattle for Beef	471	471	-0%	468	-0%	460	-2%
F-1 Cross Bred Cattle	609	579	-5%	584	1%	604	3%
'Sub Total Dairy & F-1 Cattle for Beef	1,080	1,049	-3%	1,052	0%	1,064	1%
Total Beef Cattle Raised	**2,788**	**2,746**	**-2%**	**2,755**	**0%**	**2,806**	**2%**
Total Dairy Female Raised	**1,690**	**1,655**	**-2%**	**1,636**	**-1%**	**1,592**	**-3%**
Total Cattle Raised	**4,478**	**4,401**	**-4%**	**4,391**	**-1%**	**4,398**	**-1%**

VII). Japanese Feeder Calf Auction Data (CY 2000 – 2006)

Black Wagyu (Steer and Heifer)						
	Guaranteed Standard Price	Marketed	Auction Ave.	Ave. Weight	Ave. Age.	Price Per Kg.
Yearly		Head	1,000 Yen/Head	Kg.	Days	Yen
JFY 2000	304	360,343	388	279	294	1,390
JFY 2001	304	349,685	334	275	290	1,213
% Chg.		-3%	-14%	-1%	-1%	-13%
JFY 2002	304	370,708	381	272	289	1,406
% Chg.		6%	14%	-1%	0%	16%
JFY 2003	304	366,797	415	273	286	1,522

% Chg.		-1%	9%	0%	-1%	8%
JFY 2004	304	357,990	459	272	285	1,687
% Chg.		-2%	11%	0%	0%	11%
JFY 2005	304	361,549	488	273	284	1,787
% Chg.		1%	6%	0%	0%	6%
JFY 2006	304	364,401	509	276	282	1,843
% Chg.		1%	4%	1%	-1%	3%
Holstein (Steer and Female)						
	Guaranteed Standard Price	Marketed	Auction Ave.	Ave. Weight	Ave. Age.	Price Per Kg.
Yearly		Head	1,000 Yen/Head	Kg.	Days	Yen
JFY 2000	131	16,381	88	262	217	340
JFY 2001	131	15,415	70	271	222	259
% Chg.		-6%	-20%	3%	2%	-24%
JFY 2002	131	17,348	69	267	221	258
% Chg.		13%	-1%	-1%	0%	0%
JFY 2003	131	18,303	54	272	228	199
% Chg.		6%	-22%	2%	3%	-23%
JFY 2004	129	18,879	68	267	231	253
% Chg.		3%	26%	-2%	1%	27%
JFY 2005	110	18,221	98	259	225	382
% Chg.		-3%	44%	-3%	-3%	51%
JFY 2006	110	15,853	115	274	230	421
% Chg.		-13%	17%	6%	2%	10%
F1 Cross Breed (Steer and Heifer)						
	Guaranteed Standard Price	Marketed	Auction Ave.	Ave. Weight	Ave. Age.	Price Per Kg.
Yearly	1,000 yen/head	Head	1,000 Yen/Head	Kg.	Days	Yen
JFY 2000	175	79,847	186	269	250	693
JFY 2001	175	72,512	158	271	253	582
% Chg.		-9%	-15%	1%	1%	-16%
JFY 2002	175	79,714	195	270	250	725
% Chg.		10%	23%	0%	-1%	25%
JFY 2003	175	74,388	210	275	254	766
% Chg.		-7%	8%	2%	2%	6%
JFY 2004	175	78,702	228	276	254	826
% Chg.		6%	9%	0%	0%	8%
JFY 2005	175	80,744	254	276	252	920

% Chg.		3%	11%	0%	-1%	11%
JFY 2006	175	77,172	256	282	252	911
% Chg.		-4%	1%	2%	0%	-1%
Source: ALIC Monthly, MAFF						

Note: Guaranteed Standard Price: It is a floor price for government's calf deficiency payment program.

VIII). Japan's Red Meat and Poultry Meat Utilization for Processing

	2003	2004		2005		2006	
Pork	394,274	398,028	1%	408,722	3%	410,384	0%
Beef	26,831	24,268	-10%	21,623	-11%	16,933	-22%
Poultry	50,838	48,963	-4%	51,619	5%	50,815	-2%
Horse	4,780	3,834	-20%	3,079	-20%	2,635	-14%
Lamb/Mutton	10,628	8,872	-17%	7,653	-14%	7,653	0%
Total	487,351	483,965	-1%	492,696	2%	486,778	-1%